



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: JDIG Multilocation Projects Modifications.
Bill Number: Senate Bill 493 (First Edition)
Sponsor(s): Senators Newton and Craven

SUMMARY TABLE

FISCAL IMPACT OF S.B.493, V.1

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Fund Impact	No Estimate Available				

NET STATE IMPACT

No Estimate Available

FISCAL IMPACT SUMMARY

S.B. 493, JDIG Multilocation Projects Modifications, provides a 10% bonus to a qualifying business's Job Development Investment Grant (JDIG) disbursement. Because of the variables this bill presents, there is no estimate available for the fiscal impact of the bill. The coincident bonus may or may not encourage more headquarters projects to locate in North Carolina with the intent of bringing a manufacturing arm to the State, and of those who have already located here and are still in the base period, the bonus may or may not incentivize moving a manufacturing arm to the State.

FISCAL ANALYSIS

The bill creates a coincident bonus for JDIG recipients. Recipients can receive a 10% increase on their JDIG award if they meet certain requirements:

- The business was awarded the grant for locating a company headquarters in the State.
- The business announces during the base period the relocation of a manufacturing arm of the business from another state to a Tier One or Tier Two county.
- The relocation will create at least 10 positions in a Tier One county or 20 positions in a Tier Two county, with withholdings equal to or greater than the amount of the bonus.
- The positions created by the manufacturing arm are filled for the year in which the grant is increased.



Currently, there are 12 headquarters projects with active JDIG awards in the base period, including one transformative project. The base period for JDIG grants is the period of time during which new employees are hired for the positions on which the grant is based. Excluding the transformative project, the total grant amount available to these businesses is \$112 million. (The transformative project is excluded because it is a healthcare company and lacks a manufacturing arm to relocate.) If the 11 remaining headquarters projects qualify for and receive the coincident bonus, the State's total liability would increase by \$11,211,150 (10% of \$112,111,500) over the life of the grants. On average, the State's annual liability would increase by \$396,716 each year for the next five years. The table below shows the total annual payment liability and the additional cost of the bonus for the next five years.

Table 1: Increase in Annual Payment Liability for Current JDIG Headquarters Projects

	2021	2022	2023	2024	2025
Annual Payment Liability	\$0	\$1,540,406	\$3,687,419	\$4,717,981	\$9,889,981
10% increase	\$0	\$154,041	\$368,743	\$471,798	\$988,998
Average: \$396,716					

Additional costs could be incurred from new grant awards. On average over the last five years headquarters projects were awarded JDIG grants totaling \$21 million each year (excluding the transformative project). New JDIG headquarters projects applying for and receiving the coincident bonus could increase the State's liability by \$2.1 million (10% of \$21 million) over the life of the grants. On average, the State's annual liability would increase by \$211,356 each year for the next five years, assuming the new headquarters projects are not transformative or high-yield projects and have 12-year grant terms. The table below shows the total estimated cost of new JDIG headquarters projects and the additional cost of the bonus for the next five years.

Table 2: Estimated Annual Payment Liability and Increase for New JDIG Headquarters Projects

	2021	2022	2023	2024	2025
Estimate - 2021 HQ Awards			\$1,761,302	\$1,761,302	\$1,761,302
Estimate - 2022 HQ Awards				\$1,761,302	\$1,761,302
Estimate - 2023 HQ Awards					\$1,761,302
Estimate - 2024 HQ Awards					
Estimate - 2025 HQ Awards					
Annual Payment Liability	\$0	\$0	\$1,761,302	\$3,522,604	\$5,283,906
10% increase	\$0	\$0	\$176,130	\$352,260	\$528,391
Average: \$211,356					

This analysis assumes:

- All current JDIG headquarters projects would qualify for, apply for, and receive the coincident bonus except for the transformative project;
- The number of headquarters applicants for JDIG would not increase due to the coincident bonus;

- Headquarters applicants would not include transformative or high-yield projects.

Currently, there is one active transformative headquarters project in the base period of the JDIG award. As a healthcare company, it does not have a manufacturing arm to relocate to the State. However, a transformative project with a manufacturing arm would increase the cost of the coincident bonus. The total grant amount available for the current transformative project is \$388 million. If this company were to qualify for and receive a coincident bonus, the State's annual liability would increase by \$994,590 per year for the lifetime of the grant (10% of one annual payment of \$9,945,904).

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NORTH CAROLINA DEPARTMENT OF COMMERCE

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Jennifer Hausman

ESTIMATE APPROVED BY

Mark Trogon, Director of Fiscal Research
Fiscal Research Division
April 21, 2021



Signed copy located in the NCGA Principal Clerk's Offices

